



8011-01

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81901; File No. SR-NYSEArca-2017-121]

### **Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the NYSE Arca Equities Fees and Charges**

**October 19, 2017.**

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on October 6, 2017, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### **I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend the NYSE Arca Equities Fees and Charges (the “Fee Schedule”) to adopt a Decommission Extension Fee that would be applicable for the use of certain ports connecting to NYSE Arca during the months of March through May 2018. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the Fee Schedule to adopt a Decommission Extension Fee that would be applicable to ETP Holders for the use of certain ports used to connect to NYSE Arca for a three-month period from March 2018 through May 2018 (the “extension period”).

The Exchange currently makes ports available that provide connectivity to the Exchange’s trading systems (i.e., ports for the entry of orders and/or quotes (“order/quote entry ports”)) and charges \$550 per port per month.<sup>4</sup> The Exchange also currently makes ports

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<sup>4</sup> Port fees are not applicable to ports used for the Exchange’s Risk Management Gateway service. Further, no fee applies to ports in the backup datacenter that are not utilized during the relevant month. No fee applies to ports in the backup datacenter that are utilized when the primary datacenter is unavailable. However, if a port in the backup datacenter is utilized when the primary datacenter is available, then the fee shall apply.

available for drop copies and charges \$550 per port per month.<sup>5</sup> Pursuant to a recent proposed rule change, effective October 1, 2017, the monthly fees for ports activated after August 18, 2017, the last trading day prior to the introduction of ports that communicate to the Exchange using Pillar phase II protocols (“phase II ports”), are prorated to the number of trading days in a billing month, including any scheduled early closing days, that a port is connected to the Exchange.<sup>6</sup>

The Exchange makes available ports that communicate with the Exchange using Pillar phase I protocols (“phase I ports”) and phase II ports. The proposed Decommission Extension Fee would apply only to ETP Holders that use phase I ports during the extension period.

The Exchange previously provided notice to ETP Holders to migrate to phase II ports over approximately a six-month period, which began on August 21, 2017.<sup>7</sup> Because fees associated with ports are billed on a monthly basis, the period by which ETP Holders should migrate to phase II ports will end at the close of trading on February 28, 2018. Notwithstanding prior notice to ETP Holders to migrate fully to phase II ports before the end of February 2018,

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<sup>5</sup> No fee applies to ports in the backup datacenter if configured such that it is duplicative of another drop copy port of the same user. Only one fee per drop copy port applies, even if the port receives drop copies from multiple order/quote entry ports and/or drop copies for activity on both NYSE Arca Equities and NYSE Arca Options.

<sup>6</sup> See Securities Exchange Act Release No. 81573 (September 11, 2017), 82 FR 43430 (September 15, 2017) (SR-NYSEArca-2017-97) (the “Port Fee Filing”). Fees for ports activated before August 21, 2017, however, are not pro-rated and are charged flat fees. Billing for ports activated before August 21, 2017 is based on the number of ports on the third business day prior to the end of the month. See Securities Exchange Act Release No. 66110 (January 5, 2012), 77 FR 1766 (January 11, 2012) (SR-NYSEArca-2012-01).

<sup>7</sup> See Trader Update at [https://www.nyse.com/publicdocs/nyse/markets/nyse/Pillar\\_Update\\_NYSE\\_American\\_A\\_RCA\\_NYSE\\_Tapes\\_B\\_and\\_C.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/Pillar_Update_NYSE_American_A_RCA_NYSE_Tapes_B_and_C.pdf). On June 22 [sic], 2017, the Exchange provided ETP Holders with notice that the phase II ports would be available on August 21, 2017. See Trader Update at [https://www.nyse.com/publicdocs/nyse/notifications/trader-update/Pillar\\_Phase\\_II\\_Update\\_Native\\_gateways\\_June\\_16\\_2017.pdf](https://www.nyse.com/publicdocs/nyse/notifications/trader-update/Pillar_Phase_II_Update_Native_gateways_June_16_2017.pdf).

the Exchange has determined to continue to make phase I ports available through the end of May 2018. Because continued support for phase I ports requires the Exchange to dedicate resources, the Exchange proposes a Decommission Extension Fee that would be applicable to use of such ports during the extension period. Specifically, during the extension period, the Exchange will incur ongoing costs in maintaining phase I ports, including costs to maintain servers and their physical location, monitoring order activity, and other support, that are separate from the costs in maintaining phase II ports.

The phase II ports are part of the Exchange's efforts to upgrade its connectivity. The purpose of the proposed Decommission Extension Fee is to provide an incentive for ETP Holders to fully transition to the phase II ports within the initial six-month transition period so the Exchange does not have to maintain and support both phase I ports and phase II ports at the end of the six-month transition period. In addition, to the extent that ETP Holders do not fully transition to phase II ports within the initial six-month transition period, the Exchange believes that the costs associated with continued support of phase I ports should be paid for by ETP Holders using phase I ports. Therefore, during the extension period, ETP Holders that continue to connect to the Exchange through phase I ports would be subject to the proposed Decommission Extension Fee of \$2,450 per port per month for March 2018, April 2018 and May 2018.<sup>8</sup> The proposed Decommission Extension Fee would be charged in addition to the existing port fees currently set forth in the Fee Schedule. The extension period would expire at the end of trading on May 31, 2018, on which date the phase I ports will be fully decommissioned.

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<sup>8</sup> The concept of a Decommission Extension Fee is not novel. The Exchange previously adopted a Decommission Extension Fee for receipt of market data products to encourage subscribers to migrate to a new distribution channel. See Securities Exchange Act Release Nos. 79287 (November 10, 2016), 81 FR 81216 (SR-NYSEMKT-2016-100); and 77389 (March 17, 2016), 81 FR 15363 (March 22, 2016) (SR-NYSEMKT-2016-37).

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Sections [sic] 6(b)(4) of the Act,<sup>10</sup> in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed Decommission Extension Fee for ETP Holders that choose to continue to connect to the Exchange through the use of phase I ports after the transition period, which is scheduled to end at the close of trading on February 28, 2018, is equitable and not unfairly discriminatory because the proposed fee would apply equally to all ETP Holders that choose to connect to the Exchange through the use of such ports during the extension period. As noted above, the Exchange will incur ongoing costs in maintaining phase I ports during the extension period, including costs to maintain servers and their physical location, monitoring order activity, and other support, with no real benefit. The Exchange believes that it is reasonable to require ETP Holders to pay the proposed Decommission Extension Fee as an additional fee during the extension period for connecting to the Exchange through phase I ports because ETP Holders were provided with two months' notice that the phase II ports would be available beginning August 21, 2017, and will be provided with a six-month period during which to transition to phase II ports.<sup>11</sup> The Exchange believes that these notices have provided ETP Holders with ample time to transition to phase II protocols by February 28, 2017 and the Decommission Extension Fee is designed to provide an additional incentive to transition to the

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

<sup>11</sup> See supra note 7.

phase II protocols by February 28, 2017. Due to the fixed costs incurred by the Exchange to support phase I ports during the extension period, the Exchange believes that it is fair and reasonable to charge increased fees to cover the costs of such support during the extension period because it is expected that the number of ETP Holders that do not transition to phase II ports by February 28, 2018 will be small.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,<sup>12</sup> the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act in that it is simply designed to set forth the Exchange's adoption of a fee during the extension period to provide an incentive to ETP Holders to transition to phase II ports. The Exchange believes that fees for connectivity are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including port fees, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The Exchange also does not believe the proposed rule change would impact intramarket competition as it would apply to all ETP Holders equally that connect to the Exchange through the use of such ports.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

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<sup>12</sup> 15 U.S.C. 78f(b)(8).

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)<sup>13</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>14</sup> thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>15</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2017-121 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(2).

<sup>15</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to File Number SR-NYSEArca-2017-121. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2017-121 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

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